

CANADIAN ARROW MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1970

CANADIAN ARROW MINES LIMITED

Suite 1921, Bank of Nova Scotia Building
44 King Street West, TORONTO 1, ONTARIO

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

This annual report of Canadian Arrow Mines Limited for the year ended December 31, 1970, includes the financial statements with Auditors' Report thereon. It is accompanied by notice of annual and general meeting, proxy form and information circular.

INVESTMENTS

Again, there has been no significant change in the Company's investment portfolio during the year and as indicated by the financial statements, the Company has maintained its liquid position.

PROPERTIES

While improvement in the condition of the gold mining industry has been awaited, no work was done on the Company's patented properties in Hislop Township, District of Cochrane and Dogpaw Lake area, District of Kenora, Ontario.

The seven unpatented claims staked for the Company in Q Township, Blind River area, Ontario were allowed to lapse but the Company retains eight unpatented claims in Clarendon Township, Frontenac County, Ontario, both of which were uranium prospects.

Slocan Rambler Mines (1947) Limited, in which the Company increased somewhat its substantial shareholdings, did nothing during the year toward resumption of its former production of silver, lead and zinc near Sandon, British Columbia, except to obtain a re-evaluation of potential gross value based only on former development work and current metal prices.

It has been reported more fully in Progress Reports of October 16 and December 30, 1970, that the Company acquired an exploration option on thirty-eight claims where a find had been made by old fashioned surface prospecting method in Halliday Township, District of Sudbury, Ontario; further, that the Company has had line cutting, surface geology and geochemical, magnetic and electromagnetic surveys carried out on about one-half of the area. As a result ten adjacent claims were staked for protection and a diamond drill contract was let, under which the first hole has been commenced on the north, or original, showing.

OUTSIDE EXPLORATION

Except for the Halliday Township claims, none of the prospects submitted to the Company during the year appeared worthy of investigation on the ground.

Respectfully submitted,

On Behalf of the Board,

G. A. MacMILLAN,
President.

Toronto, Ontario,
January 11, 1971.

CANADIAN ARROW MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1970

(with comparative figures at December 31, 1969)

ASSETS

Current Assets	1970	1969
Cash, including term deposits	\$ 233,910	\$ 267,636
Province of Ontario bond, 3% due 1970, at cost		1,000
Accounts receivable	575	2,000
	<u>234,485</u>	<u>270,636</u>
Interest in Other Companies		
Listed shares at cost (quoted market value 1970, \$78,061; 1969, \$220,005)	126,595	136,090
Other shares and advances at cost less amounts written off	28,748	22,359
	<u>155,343</u>	<u>158,449</u>
Fixed Assets		
Buildings and equipment at cost	42,540	40,029
Less accumulated depreciation	37,149	29,859
	<u>5,391</u>	<u>10,170</u>
Mining claims		
Township of Hislop, Ontario acquired for \$5,583 paid in cash and 1,046,060 shares valued at \$12,303	17,886	17,886
Dogpaw Lake Area, Ontario, at nominal value	1	1
	<u>23,278</u>	<u>28,057</u>
Other Assets and Deferred Charges		
Option on 38 mining claims in Township of Halliday, Ontario (note 1)	25,000	
Exploration, development and administrative expenditures deferred	507,604	493,048
Organization expense	4,710	4,710
	<u>537,314</u>	<u>497,758</u>
	<u>\$ 950,420</u>	<u>\$ 954,900</u>

LIABILITIES

Current Liabilities	1970	1969
Accounts payable and accrued liabilities	\$ 5,000	Nil
Shareholders' Equity		
Capital stock		
Authorized — 5,000,000 shares of \$1 each		
Issued — 3,557,287 shares	3,557,287	\$3,557,287
Less discount on shares	2,314,717	2,314,717
	<u>1,242,570</u>	<u>1,242,570</u>
Deduct deficit	297,150	287,670
	<u>945,420</u>	<u>954,900</u>
	<u>\$ 950,420</u>	<u>\$ 954,900</u>

Approved by the Board:

GEORGE A. MacMILLAN, Director.

JAMES GEDDES, Director.

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

Year Ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
Exploration		
Halliday Township, Ontario		
Staking	\$ 600	
Magnetic electromagnetic and geochemical surveys	10,565	
Geologist expenses	1,500	
Recording and abstracts	150	
	<u>12,815</u>	
Hislop Township, Ontario		
Taxes, insurance and shutdown expenses	504	\$ 2,012
Depreciation of buildings and equipment	5,541	5,541
	<u>6,045</u>	<u>7,553</u>
Clarendon Township, Ontario		13,858
General exploration expenses		
Engineer's fees and expenses	3,700	780
Travelling expenses	1,173	1,890
Field office expenses	1,200	1,200
Depreciation of automobile	963	2,186
Other	1,022	528
	<u>8,058</u>	<u>6,584</u>
Total exploration expenditures	<u>26,918</u>	<u>27,995</u>
Administrative and general		
Office rent and occupancy expenses	10,662	3,175
Office salaries	5,019	4,557
Telephone and telegraph	1,094	283
Directors' fees	375	375
Meeting and report expenses	1,700	1,108
Stock exchange fees and expenses	712	100
Share issue and transfer expense	2,031	458
Legal and audit fees	3,128	1,864
Depreciation of office equipment	786	355
General expense	1,703	836
Charge to associated companies for office services	(2,925)	(2,000)
	<u>24,285</u>	<u>11,111</u>
Total expenditures	<u>51,203</u>	<u>39,106</u>
Deduct interest and dividends received	<u>26,625</u>	<u>24,717</u>
Excess of expenditures over interest and dividends received	<u>24,578</u>	<u>14,389</u>
Balance deferred at beginning of year	<u>493,048</u>	<u>492,724</u>
Carried forward	<u>517,626</u>	<u>507,113</u>

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED (Continued)

Year Ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
Brought forward	\$ 517,626	\$ 507,113
Deduct exploration expenditures written off to deficit		
General exploration	8,058	6,584
Rawhide Lake, Sudbury, Ontario	1,964	
Clarendon Township, Ontario		7,481
	10,022	14,065
Balance deferred at end of year	\$ 507,604	\$ 493,048
Summary of expenditures deferred		
Exploration and development of claims		
Hislop Township, Ontario	\$ 460,265	\$ 454,220
Halliday Township, Ontario	12,815	
Clarendon Township, Ontario	6,377	6,377
Rawhide Lake, Sudbury, Ontario		1,964
	479,457	462,561
Administrative and general expenses less interest and dividends received	28,147	30,487
	\$ 507,604	\$ 493,048

STATEMENT OF DEFICIT Year Ended December 31, 1970 (with comparative figures for 1969)

	1970	1969
Deficit at beginning of year	\$ 287,670	\$ 273,014
Exploration expenditures written off		
General exploration	8,058	6,584
Rawhide Lake, Sudbury, Ontario	1,964	
Clarendon Township, Ontario		7,481
	297,692	287,079
Profit (loss) on sale of shares	542	(591)
Deficit at end of year	\$ 297,150	\$ 287,670

CANADIAN ARROW MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
Source of funds		
Interest and dividends received	\$ 26,625	\$ 24,717
Proceeds from sales of shares in other companies less cost of purchases ..	5,148	
	<u>31,773</u>	<u>24,717</u>
Application of funds		
Exploration and administrative expenditures	51,203	39,106
Deduct depreciation not involving current outlay	7,290	8,082
	<u>43,913</u>	<u>31,024</u>
Option payment on mining claims in Halliday Township, Ontario	25,000	
Purchase of other fixed assets, net	2,511	2,628
Advances to other mining companies	1,500	
Purchase of shares in other companies, less proceeds from sales		9,257
	<u>72,924</u>	<u>42,909</u>
Decrease in working capital	41,151	18,192
Working capital at beginning of year	270,636	288,828
Working capital at end of year	<u>\$ 229,485</u>	<u>\$ 270,636</u>

CANADIAN ARROW MINES LIMITED

AUDITORS' REPORT

To the Shareholders of
Canadian Arrow Mines Limited

We have examined the balance sheet of Canadian Arrow Mines Limited as at December 31, 1970 and the statements of exploration, development and administrative expenditures deferred, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 6, 1971.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. Option to Purchase Mining Claims

To exercise the option on mining claims in Halliday Township, Ontario, further cash payments are required consisting of \$50,000 by December 15, 1971, \$50,000 by December 15, 1972 and \$375,000 by December 15, 1973. In addition, by December 15, 1973 a new company is to be incorporated with capital of 3,000,000 shares, to which the claims are to be transferred. In consideration for this transfer, the optionors are to receive 300,000 shares and Canadian Arrow Mines is to receive the maximum number of shares permitted under the applicable securities regulations.

2. Change of Name

The name of the company was changed to Canadian Arrow Mines Limited from Consolidated Golden Arrow Mines Limited by supplementary letters patent dated March 20, 1970.

3. Remuneration of Directors and Senior Officers

Direct remuneration of directors and senior officers amounted to \$9,094 in 1970 and \$5,712 in 1969.

CANADIAN ARROW MINES LIMITED

ANNUAL AND GENERAL MEETING OF THE SHAREHOLDERS

February 22, 1971

INFORMATION CIRCULAR

as at January 22, 1971

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Canadian Arrow Mines Limited ("the Company") of proxies to be used at the Annual and General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular personnel of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are officers and directors of the Company. **A shareholder desiring to appoint some other person to attend and act for him and on his behalf at the meeting may do so** either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Company or the Chairman of the meeting, or (c) attending at the meeting and orally revoking such proxy.

Where a proxy is signed by a corporation, its corporate seal must be affixed.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall, subject to section 121 of The Business Corporations Act 1970, be voted in accordance with the specification so made. **In the absence of such specification, such shares if voted will be voted in favour of:**

- (a) the approval of the 1970 Annual Report which includes the Report of the Directors, the Financial Statements for the period ended December 31, 1970 and the Auditors' Report;
- (b) the election as directors of the nominees described below;
- (c) the appointment as auditors of Thorne, Gunn, Helliwell & Christenson with authority to the directors to fix their remuneration; and
- (d) the confirmation of By-Law 15 referred to below;
- (e) the confirmation of By-Law 16 referred to below;
- (f) the confirmation of By-Law 17 referred to below;
- (g) the confirmation of By-Law 18 referred to below.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, and any adjournment thereof. At the time of printing this Circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the date hereof there were outstanding 3,557,287 shares of the Company with a par value of \$1.00 each and each carrying the right to one vote. To the best knowledge of the directors and senior officers of the Company, the following are the only persons or companies beneficially owning directly or indirectly shares carrying more than 10% of the voting rights attached to all issued shares of the Company:

<u>Name</u>	<u>Shares</u>
Airquests Limited	669,398
Kam Kotia Mines Limited and its wholly-owned subsidiary, Deebank Limited ..	704,417
MacMillan Prospecting & Development Limited	505,647

Shareholders of record at the time of the meeting will be entitled to attend and vote at the meeting. The recorded addresses of Shareholders are indicated on the printed Proxy furnished with the Notice of Meeting. Shareholders are urged to see that the Company or the Transfer Agent, Premier Trust Company, 19 Richmond Street West, Toronto, have their current addresses.

ELECTION OF DIRECTORS

The board consists of five directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations and number of shares of the Company beneficially owned directly or indirectly by each of them as of the date hereof.

<u>Name and Address</u>	<u>Principal Occupation during past five years</u>	<u>Shares</u>	<u>Became Director</u>
G. A. MacMillan,* 303 Oriole Parkway, Toronto, Ontario. (President)	Prospector	233,150 direct**	1938
E. G. Huggard, 2989 Walker Road, Windsor, Ontario. (Vice-President)	Toolmaker	—	1968
J. Geddes,* 1461 Mildmay Court, Clarkson, Ontario.	Accountant	—	1956
D. W. Reeves, 260 First Avenue E., North Bay.	Retired	—	1967
E. Ross Huggard,* R.R. No. 3, Arnprior, Ontario.	Teacher	—	1968

* denotes member of audit committee.

** V. R. MacMillan, wife of G. A. MacMillan, owns 116,450 shares of the Company and all the issued shares of Airquests Limited and MacMillan Prospecting & Development Limited which as mentioned above owns respectively 669,398 and 505,647 shares of the Company.

NOTE: The information with respect to directors and shares beneficially owned by them, not being within the knowledge of the Company, has been furnished by the respective directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration other than a nominal fee per meeting attended was paid or is payable by the Company to the directors and senior officers of the Company as such for the fiscal year ended December 31,

1970, or is proposed to be paid. While authority had previously been given for payment to the President of \$30.00 per day devoted to the Company's affairs, no such payment was made or claimed in 1970. Until October 15, 1970, when a retainer of \$1,000 per month was authorized for the President, G. A. MacMillan while in the field was entitled to receive as Field Supervisor \$30.00 per day. In 1970, \$1,200 was claimed and paid, prior to \$2,500 under the retainer. F. Blair, Secretary-Treasurer, received for accounting services to this and associated companies \$5,019, and it is expected that a similar amount will be paid during the current year.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Thorne, Gunn, Helliwell & Christenson and their predecessors, Gunn, Roberts & Co., have been the auditors of the Company for more than five years.

BY-LAW NUMBER FIFTEEN

This by-law, passed by the directors on October 8, 1970 adopts a new corporate seal.

BY-LAW NUMBER SIXTEEN

This by-law, passed by the directors on December 29, 1970 to repeal any provisions of existing by-laws of the Company to the extent that they would have contravened Section 147 of The Business Corporations Act 1970 if in force on January 1, 1971, also provides for indemnification of directors and officers in the terms of such Act and authorizes the directors to have the Company obtain insurance therefor as contemplated by the Act.

BY-LAW NUMBER SEVENTEEN

This by-law, authorizing borrowing and pledging, was passed by the directors on December 29, 1970.

BY-LAW NUMBER EIGHTEEN

This by-law, passed by the directors on December 29, 1970, authorizes the issue at discounts not exceeding 75% from par value of the remaining unissued shares of the Company, as was authorized by Part IV of The Corporations Act, Ontario, until its repeal effective January 1, 1971.

